

# The State of Delaware

## First Quarter Cost Projection Analysis

November 14, 2016



## GHIP historical data

- The chart below outlines claims cost per member per quarter over the last 8 years
- The last column shows first quarter claims as a percentage of the total year
  - First quarter ranges 23.8.% through 25.8% of total claims for the year (“completion factor”)
  - Claims are generally increasing over the course of the plan year due to health care trend, but variability exists due to high cost claimants and other factors

	Medical + Rx Claims Per Member Per Quarter					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total	Q1 as % of Total
FY2009	\$1,017	\$1,068	\$1,074	\$1,113	\$4,272	23.8%
FY2010	\$1,143	\$1,173	\$1,167	\$1,166	\$4,649	24.6%
FY2011	\$1,169	\$1,167	\$1,200	\$1,224	\$4,760	24.6%
FY2012	\$1,195	\$1,225	\$1,276	\$1,311	\$5,008	23.9%
FY2013	\$1,233	\$1,260	\$1,238	\$1,338	\$5,070	24.3%
FY2014	\$1,329	\$1,334	\$1,364	\$1,501	\$5,528	24.0%
FY2015	\$1,526	\$1,441	\$1,491	\$1,460	\$5,919	25.8%
FY2016	\$1,485	\$1,295	\$1,519	\$1,558	\$5,857	25.4%
					<b>Low</b>	<b>23.8%</b>
					<b>Average</b>	<b>24.5%</b>
					<b>High</b>	<b>25.8%</b>

### Data Sources:

- FY2009 through FY2011 represents 12-month rolling PMPM from Segal Group Health Program Long-term Trend History report (2/19/2016)
- FY2012 through FY2015 represents paid claims per member from Segal Door Opener FY18 document
- FY2016 represents paid claims per member from Willis Towers Watson Q4 FY2016 Cost Tracking report
- Claim totals reflect Rx rebate and EGWP payment offsets

## Fiscal Year 2017 claim cost projection (illustrative)

- Based on September Fund Equity report, claims for July through September 2016 (Q1 FY2017) totalled \$194.4m<sup>1</sup>
- GHIP claims are projected to be \$793.5m for Fiscal Year 2017 using the average Q1 completion factor (\$194.4m divided by 24.5%)
  - However, based on historical GHIP claims data, actual claims could range \$753.5m (5% below average) to \$816.8m (3% above average) using the highest and lowest completion factors

Potential Claim Projections <sup>1</sup>	Projected Claims (\$m)		
	Q1 FY2017 Actual	Q1 Completion Factor	FY2017 Projected Total
Low Factor	\$194.4	23.8%	\$816.8 (+3%)
Average	\$194.4	24.5%	\$793.5
High Factor	\$194.4	25.8%	\$753.5 (-5%)

\$63m spread  
(-5% / +3% over average)

<sup>1</sup> The above costs do not include Rx rebate and EGWP payment offsets, administrative fees, or operational expenses

- WTW Recommendation:** To increase credibility of the data used to project FY2017 total claims, recommend using a “rolling 12 month” approach, e.g., most recent 12 months of data (October 2015 through September 2016) to smooth some of the variability